

Message Text

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67

ACTION ARA-10

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R 132036Z DEC 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6948

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS CARACAS 12304

E.O. 11652: N/A

TAGS: PFOR, OCON, VE, XK

SUBJECT: MEETING OF PRESIDENTS

REF: CARACAS 12189

SUMMARY. THE MEETING OF CENTRAL AMERICAN PRESIDENTS WITH PRESIDENT CARLOS ANDRES PEREZ OF VENEZUELA WAS INAUGURATED AT 0900 TODAY (DECEMBER 13) IN CIUDAD GUAYANA. ACCORDING TO PRESS REPORTS, BASIC AGREEMENT HAD BEEN REACHED IN THE MINISTERIAL-LEVEL PREPARATORY MEETINGS WHICH PRECEDED THE PRESIDENTIAL TALKS, BUT A NUMBER OF SUBSIDIARY POINTS ARE YET TO BE DETERMINED. END SUMMARY.

1. IN PRESS INTERVIEW DECEMBER 12 FOLLOWING HIS ARRIVAL, PRESIDENT PEREZ DESCRIBED THE MEETING AS A HISTORIC OCCASION BECAUSE, FOR THE FIRST TIME, VENEZUELA WILL ASSUME THE RESPONSABILITY FOR COOPERATING WITH THE DEVELOPMENT OF CENTRAL AMERICA. HE SAID THAT VENEZUELA WOULD DEMONSTRATE THAT "PETROLEUM WILL BE IN THE VANGUARD OF RENU-
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MERATIVE PRICES FOR BASIC PRODUCTS." THE PRESIDENT

ASCRIBED TRANSCENDENTIAL IMPORTANCE TO THE MEETING IN WHICH VENEZUELA WOULD ONCE AGAIN AFFIRM ITS "PLURALIST" POSITION IN FOREIGN POLICY AND EMPHASIZE ITS PERMANENT SUPPORT FOR INTERNATIONAL ECONOMIC COOPERATION. THE PRESIDENT REITERATED HIS PREVIOUS POSITION THAT VENEZUELA COULD NOT PROVIDE PREFERENTIAL PRICE TREATMENT FOR LATIN AMERICAN PETROLEUM CONSUMERS; INSTEAD, IT WOULD PROVIDE FOR FINANCING WHICH WOULD MAKE THE BURDEN OF PETROLEUM IMPORTS LESS ONEROUS. PRESIDENT PEREZ SAID THAT THE COFFEE FUND UNDER CONSIDERATION WOULD COST VENEZUELAN NOTHING (SIC) BUT RATHER WOULD RESULT IN SUBSTANTIAL SAVINGS THROUGH AVOIDING SUBSIDY PAYMENTS TO VENEZUELAN PRODUCERS.

2. EL UNIVERSAL REPORTED THAT THE "PACKAGE" OF AGREEMENTS TO BE SIGNED BY THE PRESIDENTS HAD BEEN SUBSTANTIALLY CONCLUDED IN THE PREPARATORY MINISTERIAL MEETINGS JUST ENDED BUT SEVERAL TECHNICAL POINTS REMAINED TO BE DETERMINED. THE DRAFT AGREEMENT ON PETROLEUM HAD GIVEN RISE TO MOST OF THE DIFFERENCES, ESPECIALLY THE QUESTION OF WHETHER REPAYMENT SHOULD BE MADE IN DOLLARS OR BOLIVARS.

3. ACCORDING TO EL UNIVERSAL, THE PETROLEUM AGREEMENT WILL PROVIDE FOR A REFERENCE PRICE OF BETWEEN \$6 AND \$7 PER BARREL (THE PRICE OF VENEZUELAN PETROLEUM IN DECEMBER 1973) CENTRAL AMERICAN COUNTRIES WOULD PAY CASH IN DOLLARS FOR FUTURE IMPORTS UP TO THIS AMOUNT, WITH THE REMAINDER TO BE PAID IN LOCAL CURRENCIES AND DEPOSITED IN THE CENTRAL BANKS OF THE VARIOUS COUNTRIES. THE PRINCIPAL POINT AT ISSUE IS WHETHER THESE CREDITS WOULD EVENTUALLY BE CANCELLED IN DOLLARS OR BOLIVARS-THE LATTER REGARDED BY THE CENTRAL AMERICAN AS LIKELY TO BE REVALUED AT SOME FUTURE DATE. AFTER THE FIRST YEAR OF OPERATION THE PROPORTION OF THE DIFFERENTIAL PRICE TO BE PAID IN LOCAL CURRENCY WOULD FALL BY 20 PERCENT ANNUALLY.

4. ACCORDING TO EL UNIVERSAL THE AMOUNT OF THE CREDIT TO BE EXTENDED BY VENEZUELA TO THE CENTRAL AMERICAN DEVELOPMENT BANK (CABEI) HAS NOT BEEN DETERMINED. A RELATED QUESTION CONCERNING ALLOCATION OF A SPECIFIC SHARE TO CENTRAL AMERICA OF THE VENEZUELAN \$500 MILLION LOAN TO THE IDB ALSO REMAINS UNCLASSIFIED

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5. EL UNIVERSAL REPORTED THAT PENDING THE CREATION OF A MULTINATIONAL FIRM (CAFE SUAVES CENTRALES S.A), VENEZUELA WOULD PROVIDE FINANCIAL SUPPORT FOR COFFEE RETENTION DIRECTLY TO THE GOVERNMENTS INVOLVED. THE AMOUNT OF THE AGREEMENT, IN PRINCIPLE, IS \$800 MILLION.
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